

Message Text

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PAGE 01 EC BRU 03808 061421Z

43

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SP-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01

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TO SECSTATE WASHDC 7002

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: EAGR, ETRD, OCON, EEC

SUBJECT: EC COUNCIL OF MINISTERS (AGRICULTURAL) MEETING ON JUNE 4

PASS AGRICULTURE

REF: (A) EC BRUSSELS 3335; (B) EC A-133

1. BEGIN SUMMARY: THE EC COUNCIL OF MINISTERS (AGRICULTURAL), MEETING
IN LUXEMBOURG ON JUNE 4, REACHED A COMPROMISE AGREEMENT INVOLVING
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PAGE 02 EC BRU 03808 061421Z

ITALIAN CONCURRENCE TO ABOLISH THE ADVANCE IMPORT DEPOSIT REQUIREMENT

FOR AGRICULTURAL PRODUCTS OTHER THAN BEEF. FOR BEEF, THE IMPORT DEPOSIT REQUIREMENT WILL BE REDUCED TO 25 PERCENT. THE OTHER KEY PART OF THE AGREEMENT, APART FROM THE TERMINATION OF THE ITALIAN MEASURES, IS A 12.5 PERCENT DEVALUATION OF THE GREEN LIRA. THE COUNCIL ADOPTED THE 1974/75 THRESHOLD PRICES FOR GRAINS AND THE BUYERS PREMIUMS FOR TOBACCO, AND FORMALIZED THE COMMUNITY'S DECISION TO EXTEND THE FOOD AID CONVENTION FOR ONE YEAR. THE COMMISSION INFORMED THE COUNCIL OF A NUMBER OF NEW MEASURES IT INTENDS TO TAKE IN THE LIVESTOCK SECTOR, MOST OF WHICH INVOLVE THE INTERVENTION SYSTEM. THE PROPOSED CAP FOR SOYBEANS WAS NOT ON THE COUNCIL'S AGENDA AND WAS NOT DISCUSSED. END SUMMARY.

2. THE EC COUNCIL OF AGRICULTURAL MINISTERS MET IN LUXEMBOURG ON JUNE 4. AFTER SEVERAL HOURS OF DISCUSSION IN RESTRICTED SESSION, THE COUNCIL REACHED A COMPROMISE AGREEMENT UNDER WHICH ITALY WILL ABOLISH THE ADVANCE IMPORT DEPOSIT REQUIREMENT FOR IMPORTS OF ALL AGRICULTURAL PRODUCTS EXCEPT BEEF. SUBJECT TO CONFIRMATION, WE UNDERSTAND THAT THE COUNCIL AGREEMENT INVOLVES THE FOLLOWING ELEMENTS: (A) THE LIRA WILL BE DEVALUED BY 12.5 PERCENT RELATIVE TO THE UNIT OF ACCOUNT. WITH ONE EXCEPTION (YOUNG CATTLE FOR FATTENING), THE EFFECTIVE DATE FOR THE NEW LIRA/U.A. CONVERSION RATE WILL BE FIXED BY THE COMMISSION, PROBABLY WITHIN TWO WEEKS. FOR YOUNG CATTLE FOR FATTENING, THE NEW CONVERSION RATE TAKES EFFECT ON JUNE 10; (B) THE ITALIAN ADVANCE IMPORT DEPOSIT REQUIREMENT WILL BE ABOLISHED FOR ALL AGRICULTURAL PRODUCTS OTHER THAN BEEF. THE EFFECTIVE DATE REPORTEDLY WILL BE THE SAME AS THE EFFECTIVE DATE FOR THE DEVALUATION OF THE "GREEN LIRA"; (C) THE ADVANCE IMPORT DEPOSIT REQUIREMENT FOR BEEF WILL BE REDUCED TO 25 PERCENT. IN ADDITION, FOR BEEF ONLY, THE ITALIAN COMPENSATORY AMOUNTS (IMPORT SUBSIDIES) REMAINING AFTER DEVALUATION OF THE "GREEN LIRA" WILL BE SUSPENDED FOR AT LEAST THREE MONTHS. THIS MEASURE WILL NOT AFFECT THE COMPENSATORY AMOUNTS (EXPORT SUBSIDIES) GRANTED BY OTHER EC COUNTRIES ON THEIR EXPORTS TO ITALY.

3. THE DEVALUATION OF THE LIRA RELATIVE TO THE UNIT OF ACCOUNT WILL RESULT IN AN INCREASE IN CAP SUPPORT PRICES (INCLUDING THRESHOLD PRICES) IN ITALY IN TERMS OF LIRE, AND A CORRESPONDING DECREASE IN THE ITALIAN MONETARY COMPENSATORY AMOUNTS (IMPORT SUBSIDIES AND

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PAGE 03 EC BRU 03808 061421Z

EXPORT LEVIES). ACCORDING TO UNCONFIRMED REPORTS, OLIVE OIL AND DURUM MAY BE EXEMPTED FROM THE PRICE INCREASE. THE EFFECTS OF THESE MEASURES ON THIRD COUNTRY TRADE WILL NOT BE DISCRIMINATORY. CAP PRODUCTS IMPORTED FROM THIRD COUNTRIES WILL BE ASSESSED HIGHER IMPORT LEVIES IN TERMS OF LIRE AND PRODUCTS IMPORTED FROM EC COUNTRIES WILL BE GRANTED GREATLY REDUCED MONETARY COMPENSATORY AMOUNTS (IMPORT SUBSIDIES) IN ITALY.

4. HOWEVER, INCREASED PRICES FOR IMPORTED PRODUCTS IN ITALY, COMBINED WITH THE CONTINUATION OF AN ADVANCE DEPOSIT REQUIREMENT FOR BEEF, WILL TEND TO RESULT IN REDUCED CONSUMPTION IN ITALY OF IMPORTED PRODUCTS. HENCE, THIRD COUNTRY AND EC PRODUCTS MAY T

SOME EXTENT BE DIVERTED TO OTHER MARKETS.

5. THE COUNCIL DISCUSSED AGAIN THE CURRENT DIFFICULTIES IN THE LIVESTOCK SECTOR. IN THIS CONNECTION THE COMMISSION ANNOUNCED TO THE COUNCIL A NUMBER OF NEW MEASURES TO BE TAKEN IN THE BEEF SECTOR. THESE REPORTEDLY INVOLVE THE RELEASE OF ADDITIONAL INTERVENTION STOCKS FOR EXPORT, DECREASED PRICES FOR SALES OF

CERTAIN

INTERVENTION BEEF TO IMPORTERS (IN CONNECTION WITH THE REQUIREMENT FOR TYING IMPORTS TO DOMESTIC PURCHASES), AND AN INCREASE IN THE NUMBER OF DESTINATIONS TO WHICH FROZEN BEEF EXPORT SUBSIDIES APPLY.

6. IN THE PORK SECTOR, THE UK REPORTEDLY WAS AUTHORIZED TO MAINTAIN ITS PIG SUBSIDY OF 11.9 U.A./100KG. UNTIL JUNE 17. THIS SUBSIDY WAS SUPPOSED TO DECREASE TO 8.35 U.A. ON JUNE 3. THE COMMISSION ANNOUNCED THAT IT WILL SOON MAKE A PROPOSAL TO STRENGTHEN THE PORT INTERVENTION SYSTEM.

7. THE COUNCIL ADOPTED THE 1974/75 THRESHOLD PRICES FOR GRAINS AND THE BUYERS PREMIUMS FOR TOBACCO. THE THRESHOLD PRICES ARE FOR THE MOST PART UNCHANGED FROM THOSE PROPOSED BY THE COMMISSION (REF. B).

8. THE COUNCIL ALSO FORMALLY ADOPTED A DECISION PROVISIONALLY LIMITED OFFICIAL USE

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PAGE 04 EC BRU 03808 061421Z

EXTENDING APPLICATION OF THE FOOD AID CONVENTION FOR ONE YEAR.

9. THE PROPOSED CAP FOR SOYBEANS WAS NOT ON THE COUNCIL'S AGENDA AND WAS NOT DISCUSSED.

10. THE NEXT MEETING OF THE COUNCIL OF AGRICULTURAL MINISTERS HAS BEEN POSTPONED FROM JUNE 10-11 TO JUNE 17-18.
GREENWALD

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